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## PART I-A

### CENTRAL SECTION

**Orders and Notifications (Other than those published in Part IV-B)  
under the Gujarat Local Boards, Village Panchayats, Municipal  
Boroughs, District Municipal, Primary Education and Local Fund Audit Acts.**

## PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

### NOTIFICATION

Sachivalaya, Gandhinagar, 28<sup>th</sup> February, 2025

**No.KP/09 OF 2025/PRHRDD/EOS/e-file/14/2022/0001/B Cell:-** In pursuance of the provision of the Article 243-I, 243-Y of the Constitution of India read with section 226 of the Gujarat Panchayat Act, 1993 the Fourth State Finance Commission under the Chairmanship of Shri Yamalbhai Vyas has been constituted vide Government Notification, Panchayats, Rural Housing and Rural Development Department, No. KP/50 OF 2025/PRHRDD/EOS/e-file/14/2022/0001/B Cell dated, 4<sup>th</sup> November, 2024.

2. Now, the Governor of Gujarat is pleased to decide the following detailed terms of reference of the Fourth State Finance Commission, namely –
  1. The Commission shall review the financial position of the Panchayats including District, Taluka and Village Panchayats and the Municipalities including Municipal Corporation and Municipal Boroughs and shall make recommendations to the Governor as to-
    - (a) The principles which should govern -
      - (i) The distribution between the State Government and the Panchayats and Municipalities of the net proceeds of the taxes, duties, tolls and fees levied by the State, which may be divided between them under the Part-IX and IXA of the Constitution of India and the allocation between the Panchayats and Municipalities at all levels of their respective shares of such proceeds;
      - (ii) The determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats or the Municipalities as the case may be;

- (iii) The sharing of grants-in aid to Panchayats and Municipalities from the consolidated fund of the State;
  - (iv) (b) Measures needed to improve the financial position of the Panchayats and Municipalities;
2. The Commission shall assess the financial requirements of the Panchayats, and Municipalities as well as the ways and means to augment their resources to reduce their dependence on additional financial support from the State Government in order to ensure fiscal sustainability.
3. In doing so the Commission shall analyse the following and make recommendations with regard thereto:
- (i) based upon the level of tax and non-tax revenue resources of the State Government likely to be reached at the end of the financial year 2024-25, make projections for the forthcoming five years commencing from 1<sup>st</sup> April, 2026;
  - (ii) Analyse the outstanding debt of Panchayats and Municipalities in detail and offer recommendations to establish an equilibrium between their receipts and expenditures and subsequently build up surplus capital;
  - (iii) Consider the resources of the State Government and its burden of committed expenses and liabilities thereon, in particular, on account of expenditure on Civil administration, Police, Social and Economic services and Non-Plan revenue expenditure;
  - (iv) Suggest measures to decrease the debt liabilities of Panchayats and Municipalities, keeping in view their resource capacity and simultaneously expand their resource base aiming to reduce the projected gap between their revenue receipts and expenditures;
  - (v) Evaluate tax and non-tax efforts of Panchayats and Municipalities as per their mandate, if any, and explore additional potential resources in order to increase their tax and non-tax revenues, making their accounts credible and their resources self-sufficient;
  - (vi) Suggest ways and means for making public services like drinking water supply, sanitation, streetlights, public transport system etc. sustainable, by way of introducing user charges, updating rates of levies, taxes, fees, etc. This should be done in a way that the people get adequate services at affordable charges;
  - (vii) Suggest measures for improving accountability of Local Bodies in the discharge of their functions.
  - (viii) Explore ways of establishing a robust accounting system for local bodies.
4. The Commission shall -
- (i) Evaluate the revenue receipts and expenditures of the Panchayats and Municipalities on a common scale keeping in view their population and socio-economic conditions, geographic locations, etc. Population data to be taken into account shall that of the Census 2011, which shall further be regarded as a key factor in the process of devolution of funds by means of taxes, duties, tolls, fees, and grants-in-aid to the Panchayats and Municipalities;
  - (ii) Assess the debt liabilities of Panchayats and Municipalities as on 30<sup>th</sup> June, 2024 and 31<sup>st</sup> March, 2024 respectively and propose necessary steps to maintain debt at a sustainable level;
  - (iii) Recommend measures to provide quality and cost-effective civic services including through the use of technology.
  - (iv) Devise incentives to encourage local bodies for improving resource mobilization and to adopt measures of fiscal prudence.
  - (v) Examine the reforms recommended by the previous State Finance Commissions and review the implementation of such recommendations as were considered for adoption.
5. The Commission shall provide its conclusions along with the basis of their findings as well as the Panchayat and Municipality wise projected estimates of receipts and expenditure.

6. The Commission shall consider the template devised and circulated by the Ministry of Panchayati Raj, Government of India in its draft guidelines for State Finance Commissions and other guidelines issued by the Government of India from time to time.
7. The Commission shall make its report available by 31<sup>st</sup> December, 2025 for the period of the forthcoming five years commencing on the 1<sup>st</sup> day of April, 2026.
8. An interim report may be prepared to recommend such measures which the commission may consider expedient to adopt at an earlier date i.e. in the financial year 2025-26.

By order and in the name of the Governor of Gujarat,

**PANKAJ JOSHI,**

Chief Secretary to Government.

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